

Message Text

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ACTION XMB-04

INFO OCT-01 EUR-12 ISO-00 EB-07 L-03 AID-05 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 OPIC-03

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R 171430Z MAY 76

FM AMEMBASSY VALLETTA

TO SECSTATE WASHDC 6806

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E.O. 11652: N/A

TAGS: EFIN, MT

SUBJECT: EXIM BANK POSITION IN MALTA

REF: STATE 107210

1. I CALLED ON GOM ATTORNEY GENERAL EDGAR MIZZI MAY 17 TO INSURE THAT HE WAS FULLY AWARE OF THE PHOENIX PROBLEM AND ESPECIALLY OF EXIM'S POSITION AS THE HOLDER OF SUBJECT CLAIMS. I NOTED THAT WE HAD RECEIVED NO RESPONSE TO OUR NOTE OF NOVEMBER 13, 1975 TO THE FOREIGN AND COMMONWEALTH AFFAIRS MINISTRY. MIZZI HAD JUST RETURNED FROM ABROAD AND WAS NOT FULLY BRIEFED, BUT HE UNDERTOOK TO CONSULT WITH OFFICIALS OF THE MALTA DEVELOPMENT CORPORATION AND LET US KNOW THE RESULTS.

2. MIZZI EMPHASIZED THAT PHOENIX WOULD CLEARLY HAVE FOLDED IF THE GOM HAD NOT ACTED, AND THAT GOM'S OVERRIDING CONCERN HAD BEEN TO KEEP THE OPERATION GOING SOMEHOW TO PRESERVE THE JOBS IN THE PLANT. BECAUSE OF THEIR DESIRE TO PRESERVE THOSE JOBS, LIQUIDATION WAS "OUT OF THE QUESTION" AND NOT EVEN BEING CONSIDERED.

3. MIZZI SAID HE FULLY UNDERSTOOD EXIM'S PROBLEM AND AGREED WHEN I NOTED HOW UNFORTUNATE IT WOULD BE FOR ALL

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CONCERNED IF EXIM WERE UNABLE TO SUPPORT FUTURE EXPORTS

TO OTHER GOM AGENCIES. HE SAID HE HOPED EXIM WOULD BE PATIENT AND UNDERSTANDING WHILE HE LOOKED INTO THE PROBLEM. I SAID I WOULD INFORM EXIM BUT REITERATED THAT WE WOULD CONTINUE TO LOOK TO HIM AND THE GOM TO ASSIST IN RECOVERING THE CLAIMS.

4. FYI: MIZZI IS PUZZLED BY THE LENGTH OF TIME PHOENIX WAS ABLE TO OPERATE IN THE RED WITHOUT GOING UNDER AND WONDERED ALOUD WHETHER THERE WAS A "SPECIAL ARRANGEMENT" BETWEEN ONE OR BOTH OF THE CLAIMANT FIRMS AND PHOENIX. I SAID I DID NOT KNOW. END FYI.

5. COMMENT: WE DO NOT ANTICIPATE AN EARLY RESOLUTION OF THIS COMPLEX PROBLEM BUT BELIEVE THAT MIZZI, EVEN MORE THAN OTHER GOM OFFICIALS, APPRECIATES THE DANGERS TO MALTA, INCLUDING POSSIBLY ITS ELIGIBILITY UNDER GSP, IF THE GOM DOES NOT FACILITATE RECOVERY. WE WILL KEEP PUSHING AND REMAIN IN CLOSE TOUCH WITH MIZZI ON THIS SUBJECT. SMITH

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Margaret P. Grafeld
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